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SUBJECT: ARGENTINA: MEETING WITH PRO-U.S./PRO-KIRCHNER  
GOVERNOR OF CHACO PROVINCE

Classified By: Ambassador E. Wayne for reasons 1.4 (b) and (d)

**¶1.** (C) Summary: On August 13, Chaco Governor Jorge Capitanich, a close ally of President Cristina Fernandez de Kirchner (CFK), said the administration faces four big challenges: 1) tackling inflation, 2) reducing subsidies; 3) repaying the Paris Club debt; and 4) setting the future agenda in the form of a plan for Argentina's 2010 bicentennial. In a small luncheon conversation in Chaco, the governor argued that all four challenges could be tackled successfully, and predicted that the government would survive and continue to prosper, especially because the opposition is and will remain divided and weak. The 2009 legislative elections will likely yield a workable though reduced pro-government majority, he argued, and the 2011 presidential election will likely be won by a PJ candidate -- either one of the Kirchners or someone currently aligned with them. Ambassador Wayne's trip to Chaco marked the first visit by a U.S. ambassador in nearly three decades. End Summary.

**¶2.** (C) Chaco Province Governor Jorge Milton Capitanich hosted Ambassador Wayne on August 13 for a small lunch in his home in the provincial capital of Resistencia. Capitanich is a Vice President of the ruling Peronist Party (PJ) and is viewed as an up-and-coming PJ leader and a possible Presidential candidate in the future. He has staunchly defended CFK during the agricultural crisis, but is also a great admirer of the U.S. political system and of U.S. political campaigns. Governor Capitanich was accompanied by Vice-Governor Juan Carlos Bacileff Ivanoff. Ambassador Wayne was accompanied by MILGP Officer and Polintern (notetaker). Septel will cover other aspects of the visit to Chaco province, located in Northern Argentina.

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Confident About CFK's Future  
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**¶3.** (C) Capitanich said the current administration faces four major policy challenges: 1) managing inflation; 2) cutting wasteful and costly subsidies for energy, transportation, and other public services; 3) resolving Paris Club debt and gaining less costly access to some international financing; and 4) setting a longer-term agenda for the country in the context of the 2010 Argentine bicentennial. Capitanich said he has no illusions about the difficulty of overcoming the obstacles ahead for CFK. Nevertheless, he expressed confidence that each can be overcome.

**¶4.** (C) On inflation, he asserted that CFK and her husband were agreed that Internal Commerce Secretary Moreno had to be removed from his current responsibilities and confidence restored to the national statistics agency, INDEC. The problem has been that the Kirchners have been trying to wait until the opposition stops calling for Moreno's dismissal. While it will be a challenge to restore credibility to INDEC and then tackle inflation, Capitanich believed it doable this year. (Capitanich argued that local Chaco inflation was minimal, using "real statistics," unlike in other provinces,

but added that price increases and shortages had been a real problem during the agricultural crisis because of road blockages.) Part of the needed effort this year will be reducing costly subsidies for energy, fuel, and transport, which are chipping away at the fiscal balance. He asserted that the Kirchners agree that this must be done, and will move ahead gradually with increasing public service prices to reduce public spending on subsidies.

¶ 15. (C) Capitanich argued that solving the Paris Club debt was essential for Argentina to get increased access to international financing. He said the President had received a proposal from her staff and was considering it. He noted that Argentina will have substantial repayments to make over the next 2-3 years and will likely reflect that in the proposal put forward. Ambassador noted that there will be a difficult negotiation ahead with the Club, but stressed the goodwill of Club members to work for a solution. He noted the importance of Argentina putting its ideas forward quickly. Ambassador emphasized the need to begin negotiations by Argentines offering a reasonable proposal. Argentina can only benefit from repaying the debt, he concluded. Capitanich agreed. Finally, the governor argued CFK can use the agenda for the 2010 Argentine bicentennial to build consensus with non-governmental sectors on a longer term vision for economic growth and addressing social needs.

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Argentina's Political Landscape  
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¶ 16. (C) The key to making it so likely that CFK will succeed, Capitanich argued, is that the opposition in Argentina is divided and will likely remain so. The non-PJ parties are weak and their leaders are unlikely to unite, and the PJ dissidents are over-the-hill leaders who will never rally a sizable plurality in the party, he said. Ambassador asked about the role of former President Eduardo Duhalde in Argentine politics. Capitanich, Duhalde's chief of cabinet in 2002, mentioned not seeing him for some time, and dismissed any chance of his political reemergence. Duhalde may try to play "kingmaker," but he won't succeed because of the fragmented nature of the opposition. Capitanich predicted that Kirchner-allied legislators will win 30-35% of the vote in 2009, which will provide a workable majority in Congress. The current administration, he said, is poised to win in the North and South of the country. As to the 2011 presidential elections, Macri could be strong nationally, possibly winning as much as 25% of the vote; Civic Coalition party leader Elisa Carrio could also gain some high numbers, he said. However, the candidate of the current government, be it a Kirchner or one of their allies, will likely squeak by with as much as 35%, enough to win, he added. The Ambassador asked about an opposition force emerging from one of the factions in the PJ; Capitanich argued this was very unlikely given the generational and personal differences among dissident PJ leaders.

¶ 17. (C) Capitanich praised the strength and competency of the Peronist movement as a political machine. Nevertheless, he said, it is difficult to define. Peronism is a diversified political movement. Doctrinally, it represents the center-left, promoting the issues of the working class while also representing a wide range of socio-economic strata. It therefore reflects popular sentiment more accurately than the other national party, the Radicals, he maintained. Capitanich reiterated that in 2011, Peronism under the Kirchner umbrella would likely emerge victorious as a result of the opposition's chronic fragmentation.

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U.S. Elections and Bilateral Relations  
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¶ 18. (C) Capitanich showed great interest in the upcoming U.S. presidential elections, offering his views on both major party pre-candidates. He said he admired qualities in each candidate and shared his experiences in observing previous

U.S. campaigns including first hand. Capitanich spoke of his great respect for American political strategists such as Karl Rove, Dick Morris, and James Carville. He confided that he had retained Carville's services, crediting the adviser's insight and practical advice for his successful gubernatorial campaign last fall in which he emerged victorious as the underdog by a narrow margin.

¶9. (C) Capitanich used the discussion of U.S. politics as a segue to argue the strategic importance for Argentina of developing good relations with the United States. He said that he would like to work in support of developing a strategic, hemispheric relationship with the USG. With so many common interests, from the basics of democracy to the potential complementary natures of our economies, there is much ground for expansion of the bilateral relationship and of closer cooperation in the hemisphere, he said.

¶10. (C) Comment: Capitanich is a very savvy and ambitious politician who will likely seek to return to the national scene in 2011. He admires much about the United States and seems to have few ideological hang-ups about the U.S. We plan to explore ways to work more closely with him and his province in areas of educational and cultural exchange, for example.

WAYNE